

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

TRUE RETURN SYSTEMS LLC,

Plaintiff,

vs.

COMPOUND PROTOCOL,

Defendant.

Case No. 1:22-cv-08483

**DECLARATION OF JAYSON HOBBY IN SUPPORT
OF COMPOUND LABS, INC.'S MOTION TO INTERVENE**

I, Jayson Hobby, hereby declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the following is true and correct:

1. I am the CEO of the software development company Compound Labs, Inc. (“Labs”), a Delaware corporation headquartered in California. I began working for Labs in April 2019 and became CEO in April 2023. I submit this declaration in support of Labs’ motion to intervene as a defendant in this action as a matter of right under Rule 24(a)(2) of the Federal Rules of Civil Procedure or, in the alternative, permissibly under Rule 24(b)(1) of the Federal Rules of Civil Procedure.

2. This action was commenced on or about October 5, 2022 by Plaintiff True Return Systems LLC (“TRS” or “Plaintiff”) against Defendant “Compound Protocol” for infringement of U.S. Patent No. 10,025,797 (the “797 Patent”). Annexed hereto as

Exhibit A and **Exhibit B**, respectively, are true and correct copies of the Complaint filed by TRS and of Labs' Proposed Intervenor Answer with Counterclaims.

3. Labs was co-founded in August 2017 by Robert Leshner and Geoffrey Hayes. Labs is an open-source software development company that builds tools, products, and services for the decentralized finance ("DeFi") ecosystem. In 2018, Labs began development of an algorithmic, autonomous interest rate protocol built on the Ethereum blockchain. The protocol, now known as Compound Protocol ("Protocol"), lets its users exchange the time value of digital assets by lending and borrowing them.

4. Labs launched the Protocol in September 2018 and administered it until June 2020, at which time it fully relinquished all administrative control over the Protocol in favor of decentralized community governance by COMP token holders.

5. COMP is an ERC-20 token providing voting rights that can be exercised or delegated. Each COMP provides a right to one vote in the community governance system. Governance of the Protocol is completely decentralized, meaning that it is performed entirely by holders of COMP tokens. COMP token holders can make proposals for changes to the Protocol. All of the votes and procedures in relation to proposals and governance of the Protocol are public, and proposals that are passed are self-executed through smart contracts and/or executable code, all of which are also publicly disclosed.

6. There are, at least, thousands of COMP token holders throughout the world, largely unidentifiable and unknown to each other.

7. Labs first received notice of Plaintiff's allegations of patent infringement in November 2021. TRS sent a letter dated November 12, 2021, addressed to "Compound Finance" in which it alleged that Compound Finance was infringing the '797 Patent. Compound Finance does not exist as an entity – it is nothing more than a web domain. In the letter, TRS offered to sell or license the '797 Patent to Compound Finance. Attached hereto as **Exhibit C** is a true and correct copy of said November 12, 2021 letter from David Boag, counsel for TRS, to Compound Finance.

8. Labs responded through counsel. In a letter dated December 22, 2021, Labs advised TRS that it was conflating and confusing Compound Labs, Compound Protocol and Compound Finance (which was merely a web domain). Labs further advised TRS that its claims of infringement of the '797 Patent were baseless, not only because the Protocol did not practice any of the claims, but also because the claims in the patent are invalid. Labs declined to purchase or license the patent in view of the noninfringement and invalidity. Attached hereto as **Exhibit D** is a true and correct copy of said December 22, 2021 letter from Jason Gottlieb, counsel for Labs, to David Boag.

9. On January 24, 2022, TRS sent a letter to Labs rejecting Labs' positions. Attached hereto as **Exhibit E** is a true and correct copy of said January 24, 2022 letter from David Boag to Jason Gottlieb.

10. In October 2022, Labs received a copy of a letter dated October 12, 2022 and addressed to Compound Finance, requesting that "Compound" waive formal service of the Complaint. Attached hereto as **Exhibit F** is a true and correct copy of said October 12, 2022 letter from David Boag to "Compound Finance (d/b/a Compound Protocol,

Compound Finance, compound.finance)" and "COMP Owners and Compound Finance Governance."

11. By letter dated October 18, 2022, Labs rejected the request and demanded that TRS withdraw the Complaint. TRS refused to withdraw its Complaint in an October 24, 2022 letter to Labs. Attached hereto as **Exhibits G and H**, respectively, are true and correct copies of the October 18, 2022 letter from Jason Gottlieb to David Boag and the October 24, 2022 letter from David Boag to Jason Gottlieb.

12. As "Compound Protocol" is not an entity at all, let alone a juridical entity capable of being sued, Plaintiff was unable to serve process on the Protocol. Accordingly, and at the direction of the Court, Plaintiff moved *ex parte* for an order permitting alternate service of process. On March 6, 2023, the Court granted that motion, and allowed Plaintiff to attempt to serve Protocol electronically with a copy of the Summons and Complaint by:

- (1) direct message to Compound Protocol's @compoundfinance Twitter account;
- (2) posting to the official Compound Protocol forum at www.comp.xyz; and
- (3) e-mail message to security@compound.finance and niraj@polychain.capital

13. TRS attempted this alternate service on March 22, 2023. Attached hereto as **Exhibit I** is a true and correct copy of said March 22, 2023 email correspondence from David Boag to security@compound.finance and niraj@polychain.capital. However, this transmittal did nothing more than provide copies of the summons and Complaint to Labs, who controls the Twitter and compound.finance emails.

14. Accordingly, Labs rejected this purported service in an email from Robert Leshner dated March 23, 2023. Attached hereto as **Exhibit J** is a true and correct copy of said March 23, 2023 email correspondence from Robert Leshner to David Boag.

15. To date, there has been no valid service on the Protocol. TRS's Complaint and its subsequent efforts at service, combined with its prior communications, cannot disguise that its actual claims, however frivolous they may be, are (at least in part) against Labs.

16. Labs thus has a clear and direct interest in the subject matter of this Complaint.

Date: June 6, 2023
New York, NY



Jayson Hobby